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FEB 14 2002

CASE:GLS:108671-02  
CC:GLS:PCTL:DIngold

MEMORANDUM FOR KEITH V. RESTAINO

CHIEF, GRANT ADMINISTRATION  
WAGE & INVESTMENT OPERATION DIVISION  
STAKEHOLDER PARTNERSHIPS, EDUCATION &  
COMMUNICATION (W&I:SPEC)

FROM:

*Donald M. Suica*  
Chief, Public Contracts and Technology Law Branch (GLS)  
Internal Revenue Service

SUBJECT:

Low-Income Tax Clinics' Reimbursable Expenses,  
Community Tax Aid, Inc. Inquiry

This responds to your coordinating with us your reply to the request of Timothy J. Stier, Community Tax Aid, Inc., ("CTA") a LTC grant recipient, for written confirmation of oral advice provided by Debra J. Chandler, a member of your staff, on this subject.

We have reviewed Mr. Stier's question and discussed it with Ms. Chandler. We concur in the oral advice that Ms. Chandler provided to Mr. Stier, noting the potential for exceptions or other results depending on scenarios that can vary from situation to situation.

We understand Mr. Stier's basic question to be whether the requirement that LTC grant awards be matched can be fulfilled by looking to the value of donated services, so-called "soft matches," as well as cash contributions from other sources. We understand Ms. Chandler's oral reply to have been – in one word – "yes." This is consistent with the express statutory provision, IRC § 7526(b)(5):

REQUIREMENT OF MATCHING FUNDS. – A low-income taxpayer clinic must provide matching funds on a dollar-for-dollar basis for all grants .... Matching funds may include –

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**(A) the salary (including fringe benefits) of individuals performing services for the clinic; and**

**(B) the cost of equipment used in the clinic.**

Indirect expenses, including general overhead of the institution sponsoring the clinic, shall not be counted as matching funds.

(Emphasis added.)

We highlight the text above as it pertains to the question: "What costs can be counted as matching funds?"

OMB Circular A-110 addresses basic administrative requirements and defines the term "salary" to include "volunteer services if an integral and necessary part of an approved project or program." The Circular sets forth rates for the valuation of services and excludes services if they are "provided by students to satisfy an academic credit." Thus, we concur that the value of donated services, specifically "salary" – a term that is defined by OMB Circular A-110 to include the value of donated services if not performed by students who are satisfying an academic credit – can be counted towards meeting the dollar-for-dollar matching requirement.

Mr. Stier refers to CTA's "total revenues and expenses for the year are \$100,000 each, consisting of \$20,000 in cash and \$80,000 in noncash items (primarily volunteer services)." He also says CTA received a LTC grant award of \$42,000, a sum that we confirmed by accessing the spreadsheet posted on the W&I website. Based on our discussion with Ms. Chandler we understand that she obtained clarification from Mr. Stier that \$80,000 is the value, at rates consistent with OMB guidelines, of donated direct services of a qualifying nature. We further understand that CTA is a not-for-profit institution that is neither sponsored nor affiliated with an educational institution. CTA's volunteers are presumed not to be students who are satisfying an academic credit requirement. Thus, we concur in the oral advice that Ms. Chandler provided to Mr. Stier that the value of these donated services could be counted, in addition to cash contributions, towards meeting the dollar-for-dollar matching requirement.

In other scenarios there can be additional considerations, such as whether the clinic is a so-called "clinic within a clinic." We understand this term to mean that a LTC clinic can exist within a clinic that provides, in addition to LTC authorized services (more specifically, the representation of low-income taxpayers in controversies with the Service and the operation of programs to inform individuals for whom English is a second language about their tax rights and responsibilities), other services (such as legal assistance in non-tax matters or tax assistance to persons regardless of income or native tongue). In this

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circumstance, there is, of course, a need to allocate expenses and matching funds for services shared with non-qualifying programs in determining allowable expenses for LTC funding and compliance with the statutory matching fund requirement.

Should you or your staff have any questions about this or similar issues, please contact Dave Ingold at 202 283-7900.

cc: Carol Nachman